

Northern Pipeline Agency

2008-09

Departmental Performance Report

The Honourable Lisa Raitt, P.C., M.P.
Minister of Natural Resources



Table of Contents

Commissioner's Message	4
SECTION I: DEPARTMENTAL OVERVIEW	6
Summary Information	7
Raison d'être	7
Responsibilities	7
Strategic Outcome and Program Activity Architecture (PAA)	7
Summary of Performance	8
2008-09 Financial Resources	8
2008-09 Human Resources	9
Contribution of Priorities to Strategic Outcome	10
Risk Analysis	11
Expenditure Profile	11
Voted and Statutory Items	12
SECTION II: ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME	13
Strategic Outcome	14
Program Activity by Strategic Outcome	14
Benefits for Canadians	14
Performance Analysis	15
Lessons Learned	15
SECTION III: SUPPLEMENTARY INFORMATION	16
Organizational Information	17
Financial Highlights	18
Financial Highlights Chart	19
Contacts for Further Information	19
Financial Statements	19

Commissioner's Message

It is my pleasure to present the 2008-09 Departmental Performance Report for the Northern Pipeline Agency (NPA).

The Northern Pipeline Agency was created by special legislation in 1978 to facilitate the efficient and expeditious planning and construction in Canada of the Alaska Natural Gas Transportation System by Foothills Pipe Lines Ltd. The system was to carry natural gas discovered at Prudhoe Bay, Alaska, to Canada and the lower 48 states. Foothills is now owned by TransCanada Pipelines.



The Agency's activity level peaked in 1981-82 during the construction of the "Prebuild" portion of the project in southern Alberta, British Columbia and Saskatchewan. At that time, the Agency had over 100 employees involved in policy and planning, socio-economic and environmental assessment, scheduling and regulation, and engineering and design. The Prebuild currently transports Alberta natural gas for export to the United States.

In 1982, low natural gas prices relative to the cost of completing the pipeline system led the project sponsors to put the Northern portion of the project on hold. The Agency in turn shrank to a skeleton organization, which oversaw approvals of expansions to the existing pre-build facilities (the necessary technical review work was conducted by the National Energy Board).

In 2008, TransCanada Pipelines was selected by the State of Alaska under the *Alaska Gasline Inducement Act* (AGIA) to receive up to \$500 million in State assistance to pursue an Alaska Highway natural gas pipeline. The large-scale project would transport 4-5 billion cubic feet per day of natural gas in a 48-inch, high-pressure pipeline from Prudhoe Bay, Alaska, to markets in Canada and the lower 48 states. Project costs were previously estimated at \$30 billion.

To meet the terms of AGIA, TransCanada is required to conduct an "open season" in the United States by mid-2010. This is a solicitation process to determine the level of commercial interest in the project. TransCanada is then required to file an application with the US Federal Energy Regulatory Commission for a transmission pipeline from Prudhoe Bay to the Canadian border.

TransCanada has communicated its project time-line to the Northern Pipeline Agency, including its intention to proceed with the Canadian portion of the project, and has asked the Agency to undertake various preparatory activities.

In December 2008, the NPA began a search for a full-time assistant commissioner to begin delivering on the responsibilities of the Government of Canada that are embodied in the *Northern Pipeline Act* by continuing to work with TransCanada Pipelines Limited and with federal agencies, provincial and territorial governments and with First Nations. An Assistant Commissioner was hired in July 2009 and the agency is anticipating a need for additional human resources in 2009-10, as activity under the NPA increases.

Cassie Doyle
Commissioner, Northern Pipeline Agency, and
Deputy Minister, Natural Resources Canada

SECTION I: DEPARTMENTAL OVERVIEW

Summary Information

Raison d'être

The Northern Pipeline Agency was established in 1978 to facilitate the *planning* and *construction* of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project while maximizing social and economic benefits and minimizing any adverse social and environmental effects.

Responsibilities

Under the *Northern Pipeline Act*, the Northern Pipeline Agency can be called to undertake a number of activities:

- facilitate the efficient and expeditious planning and construction of the pipeline taking into account local and regional interests, the interests of the residents, particularly the native people, and recognizing the responsibilities of the Government of Canada and other governments, as appropriate, to ensure that any native claim related to the land on which the pipeline is to be situated is dealt with in a just and equitable manner;
- facilitate, in relation to the pipeline, consultation and coordination with the governments of the provinces, the Yukon Territory and the Northwest Territories;
- maximize the social and economic benefits from the construction and operation of the pipeline while at the same time minimizing any adverse effect on the social and environmental conditions of the areas most directly affected by the pipeline; and,
- advance national economic and energy interests and to maximize related industrial benefits.

Strategic Outcome and Program Activity Architecture (PAA)

The Northern Pipeline Agency has a single strategic outcome and a single program activity. Both are aligned with the Government of Canada's Strong Economic Growth outcome as per the Whole-Of-Government-Framework.

NPA Strategic Outcome:

Facilitate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project while maximizing social and economic benefits and minimizing adverse social and environmental effects.

NPA Program Activity:

Regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

The challenge for the Northern Pipeline Agency is to respond quickly in the event the Northern segment of the pipeline project is reactivated. Since the *Northern Pipeline Act* came into force, the external environment relevant to environmental, socio-economic and governance considerations, has changed. Some of the changes in Yukon include new environmental legislation, devolution of some federal responsibilities, and settlement of most First Nations land claims along the pipeline route.

The NPA will need to review updated environmental and socio-economic regulatory processes while respecting the rights of First Nations. The NPA must also respect the rights granted to Foothills (TransCanada) under the *Northern Pipeline Act*, in particular the existing certificates of public convenience and necessity.

Summary of Performance

2008–09 Financial Resources (\$ thousands)

In 2008-2009, the Agency had spending authority of \$265,000. The spending authority was established in anticipation of an increase in Agency workload to support a high level of planning activity for the pipeline.

Planned Spending*	Total Authorities	Actual Spending
265,000	257,211	139,718

* The NPA recovers its costs from Foothills through existing authorities pursuant to section 29 of the Act and determined in accordance with section 24.1 of the *National Energy Board Act* and the National Energy Board Cost Recovery Regulations.

Each year, the Agency's operating budget includes contingencies to mitigate any requirement to return to Parliament for increased funding in the event activity occurs related to either the existing portion of the pipeline, or construction of the balance of the pipeline. Agency operating expenditures are kept to a minimum unless Foothills, or some other party, initiates some action or formal request of the Agency, in which case operating expenditures may increase proportionately.

As reported in the 2008-2009 RPP, an allotment was obtained for the second half of 2008-2009 to retain additional staff in response to an anticipated increase in activity by Foothills. This increase in activity did not occur in the 2008-09 year and the funds were not fully released.

2008-09 Human Resources (FTEs)

Planned	Actual	Difference
2	2	0

Performance Summary

Strategic Outcome: Facilitate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project while maximizing social and economic benefits and minimizing adverse social and environmental effects.	
Performance Indicators	2008-09 Performance
Regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project. This program activity is aligned with the Government of Canada's Strong Economic Growth outcome.	Maintained regular dialog with Foothills, and other key stakeholders. The NPA also continued to operate as a separate agency, ready to respond to increased levels of project planning activity.
The NPA will effectively respond to any regulatory filings by Foothills and make certain that the Act is properly administered.	Foothills did not file any regulatory filings.
To allow the NPA to prudently refine its plans and state of readiness to respond and to enhance its engagement with other participants that would be involved in the planning and the construction of this phase of pipeline development, an adequate level of staff will be hired.	NPA began its search for an Assistant Commissioner in fiscal 2008-09. An Assistant Commissioner was hired in July 2009 to respond to increased requirements associated with TransCanada Pipelines' activities related to its Alaska Natural Gas Pipeline project. Further staffing is underway.

Program Activity	2007-08 Actual Spending	2008-09 (\$ thousands)				Alignment to Government of Canada Outcomes
		Main Estimates	Planned Spending	Total Authorities	Actual Spending	
Regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.	137	265	265	257.2	139.7	<i>Strong Economic Growth - Canada's natural resource sector enjoys on average between 20 and 25 percent of all capital investment; and accounts for over one-third of Canada's entire stock of foreign direct investment.</i>
Total	137	265	265	257.2	139.7	

Contribution of Priorities to Strategic Outcome

Operational Priorities	Type	Status	Linkages to Strategic Outcome
- In December 2008, Foothills requested that the NPA be restaffed to make the necessary preparations to complete a technical, environmental and socio-economic review of reports and plans that may be submitted related to an Alaska Highway natural gas pipeline - As per the RPP, responding to the reactivation of Phase II of the pipeline is a priority for the NPA.	- This is a newly-committed priority for the reporting year.	- As of July 2009, the NPA has a full-time assistant commissioner who is actively working on all of Foothills' requests. - NPA coordinated inter-departmental meetings and began First Nations engagement. - The priority has mostly met Foothill's expectations.	The priority is linked to: Facilitating the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project As project activity increases, additional staff will be required to carry out the regulatory and planning work.

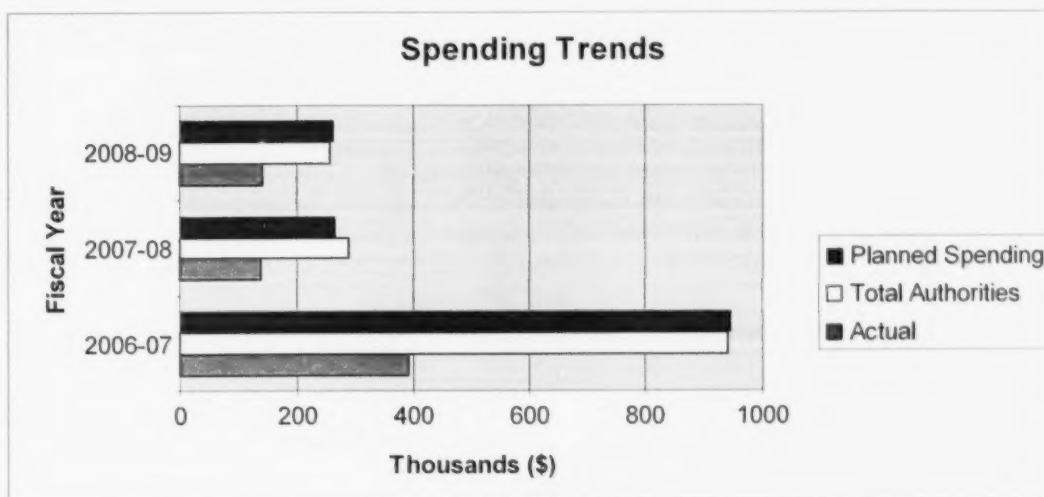
Risk Analysis

TransCanada has communicated its project time-line to the Agency, including its intention to proceed with the Canadian portion of the project, and has asked the Agency to undertake various preparatory activities. These activities include First Nations engagement and providing certainty on the process that will be used to review all of the technical, financial, environmental, socio-economic and other information that TransCanada will be required to file to proceed with the Foothills project.

Without an increase in staff levels and operating funds, the Northern Pipeline Agency will not be able to take the necessary policy decisions and make the necessary preparations to complete a technical, environmental and socio-economic review of reports and plans that will be submitted related to an Alaska Highway natural gas pipeline.

Failure to make timely preparations could jeopardize the Government of Canada's performance of its responsibilities under the *1977 Canada-US Agreement* and the *Northern Pipeline Act*, and pursuant to TransCanada's rights related to its existing certificates of Public Convenience and Necessity, and its existing pipeline easement in the Yukon.

Expenditure Profile



Voted and Statutory Items

(\$ thousands)

Vote # or Statutory Item (S)	Truncated Vote or Statutory Wording	2006-07 Actual Spending	2007-08 Actual Spending	2008-09 Main Estimates	2008-09 Actual Spending
1	Operating expenditures	382	135	244	139
5	Grants and contributions	-	-	-	-
(S)	Contributions to employee benefit plans	9	2	21	1
(S)	Minister of Natural Resources Canada —Salary and motor car allowance	-	-	-	-
Total		391	137	265	140

There were no significant differences between the spending in 2007-08 and 2008-09.

SECTION II: ANALYSIS OF PROGRAM ACTIVITIES BY STRATEGIC OUTCOME

Strategic Outcome

Facilitate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project while maximizing social and economic benefits and minimizing adverse social and environmental effects.

Program Activity by Strategic Outcome

Program Activity: Regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project. This program activity is aligned with the Government of Canada's Strong Economic Growth outcome.					
2008-09 Financial Resources			2008-09 Human Resources (FTEs)		
Planned Spending	Total Authorities	Actual Spending	Planned	Actual	Difference
265,000	257,211	139,718	2	2	0
Expected Results	Performance Indicators	Performance Status	Performance Summary		
In concert with other federal government departments, the NPA will develop a regulatory framework which accommodates modern environmental practices, takes into account the rights of First Nations communities, and considers the interests of provincial-territorial governments, so as to be prepared to effectively regulate and to facilitate the planning and the construction of the Foothills pipeline, should a detailed project plan come forward. The NPA's activities are dictated by the timing and pace of the planning and construction of the pipeline.	Regulate the planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project.	<i>Mostly met</i> – no construction took place during the 2008-09 fiscal year.	The NPA maintained a state of readiness to respond to any requests initiated by Foothills.		
	The NPA will effectively respond to any regulatory filings by Foothills and make certain that the Act is properly administered.	<i>Met all</i> – the NPA administered the Act and there were no regulatory filings requiring response.	The NPA maintained a state of readiness to respond to any requests initiated by Foothills.		
	To allow the NPA to prudently refine its plans and state of readiness to respond and to enhance its engagement with other participants that would be involved in the planning and the construction of this phase of pipeline development, an adequate level of staff will be hired.	<i>Mostly met</i> – the NPA began its search for a permanent, full-time assistant commissioner.	The NPA now has a full-time assistant commissioner.		

Benefits for Canadians

An Alaska Highway Natural Gas Pipeline would be the largest private sector infrastructure investment in North American history. Such a project would make considerable contributions towards Canada's strategic outcome of Strong Economic Growth.

Natural resources have contributed to the development of Canada as a modern industrial society generating prosperity (e.g., jobs) and a higher quality of life for generations of Canadians. In 2007, Canada's energy sector accounted for 6.9% of gross domestic product (GDP); accounted for 2 percent of total employment; and was the source of a record \$138 billion in merchandise exports. In 2008, capital expenditures in the energy sector amounted to \$81.2 billion, representing 23.5 percent of total public and private investments in Canada.

In addition to the macroeconomic benefits associated with an Alaska Highway pipeline, there would also be significant regional economic benefits including northern development.

Performance Analysis

In working toward realization of its strategic outcome, the Agency's principal task for 2008-2009 fiscal year was to initiate preparedness to respond to regulatory filings by Foothills and to make sure that the *Northern Pipeline Act* was properly administered. With the renewed interest in northern pipelines the Agency was called on to provide information in the event that the northern segment of the pipeline (Phase II) proceeded, including an examination of the commitments of the Government of Canada that are embodied in the Act and changes to other legislation that have occurred since the pipeline was certificated.

The agreements that are currently in place with NRCan and other government departments continued to facilitate efficiencies in the administration of the Act. An administrative agreement exists between the Yukon Territory Government and the Agency to facilitate the administration of an easement agreement related to land access rights granted to Foothills for the pipeline. The Agency collected the annual fee of \$30,400 from Foothills on behalf of Indian and Northern Affairs Committee (INAC) and redistributed an appropriate share to the Yukon Territory Government. These transactions are excluded from the calculations of recoverable costs mentioned in Section 3.2 Financial Performance.

In light of the low-level of activity in the Agency, there are no specific RPP commitments or parliamentary committee recommendations to be implemented.

Lessons Learned

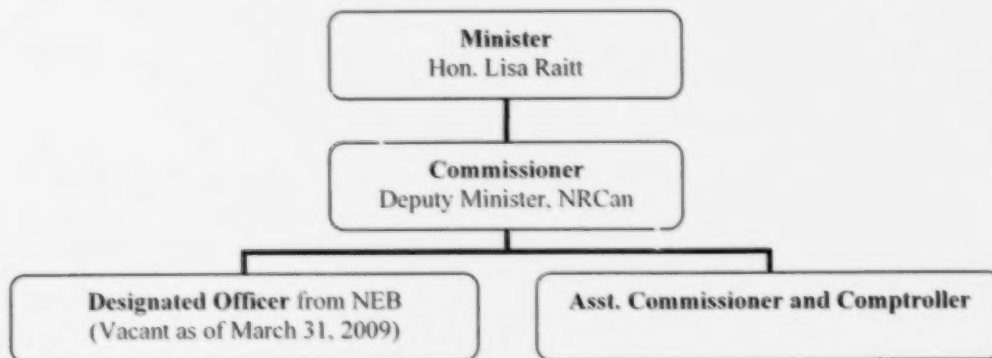
On account of very little activity on the Foothills pipeline project during the fiscal 2008-2009 period, most Northern Pipeline Agency activity was administrative in nature. Therefore, there are no lessons learned to report at this time.

SECTION III: SUPPLEMENTARY INFORMATION

Organizational Information

The Northern Pipeline Agency has been designated as a department for the purposes of the *Financial Administration Act*. The NPA currently reports to Parliament through the Minister of Natural Resources Canada who is responsible for the management and direction of the NPA. The NPA has one senior officer, a Commissioner appointed by the Governor in Council. The Commissioner is currently the Deputy Minister of NRCan. Its organizational structure is defined by the Act. The Commissioner has appointed a full time Assistant Commissioner of the Agency.

The figure below provides a schematic of the reporting relationship of the key officers responsible for the NPA's program activity.



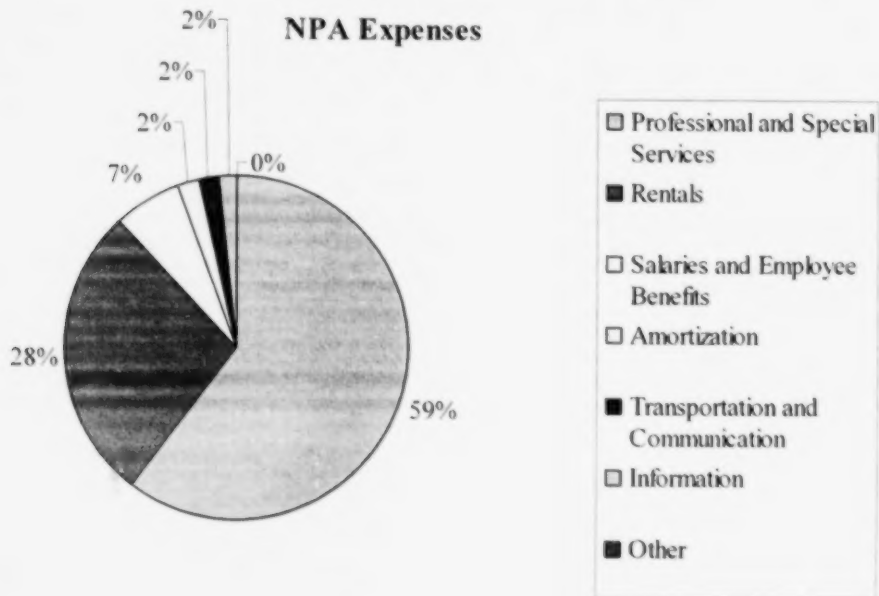
Financial Highlights

Condensed Statement of Financial Position			
As at March 31	% Change	2009	2008
Financial Assets	-12%	821,959	938,548
Non Financial Assets	-40%	4,106	6,894
TOTAL ASSETS	-13%	826,065	945,422
A/P and Accrued Liabilities	645%	33,127	4,444
Deferred Revenue	-16%	792,938	940,998
TOTAL LIABILITIES	-13%	826,065	945,442
Equity	0%	0	0
TOTAL EQUITY	0%	0	0
TOTAL LIABILITIES AND EQUITY	-13%	826,065	945,442

Condensed Statement of Operations			
For the Year ending March 31, 2009	% Change	2009	2008
Regulatory Revenue	8%	148,060	137,451
TOTAL REVENUES	8%	148,060	137,451
Professional and Special Services	0%	89,095	88,965
Rentals	51%	41,180	27,337
Salaries and Employee Benefits	25%	9,629	7,708
Amortization	-45%	2,788	5,069
Transportation and Communication	-64%	2,751	7,607
Information	264%	2,603	716
Other	-71%	14	49
TOTAL RECOVERABLE EXPENSES	8%	148,060	137,451
Non-Recoverable Services	15%	56,385	48,888
TOTAL NON-RECOVERABLE EXPENSES	15%	56,385	48,888
NET COST OF OPERATIONS	15%	56,385	48,888

Financial Highlights Chart

Most of the Northern Pipeline Agency's expenses are cost recoverable. The largest single expense is that of a service agreement with NRCan's Shared Service Office to provide administrative, financial and technical services.



Contacts for Further Information

Northern Pipeline Agency
615 Booth Street
Ottawa, Ontario K1A 0E4
Telephone: (613) 992-9612
Fax: (613) 995-1913

Financial Statements

The Northern Pipeline Agency's audited financial statements are included in the following pages.

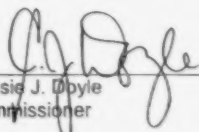
Statement of Management Responsibility

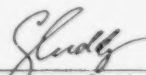
Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2009 and all information contained in these statements rests with the Agency's management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment and gives due consideration to materiality. To fulfil its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Agency's financial transactions. Financial information submitted to the *Public Accounts of Canada* and included in the Agency's *Departmental Performance Report* and *Annual Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the Agency.

The financial statements of the Agency have been audited by the Auditor General of Canada, the independent auditor for the Government of Canada.


Cassie J. Doyle
Commissioner


Christopher Cuddy
Assistant Commissioner

Ottawa, Canada
August 14, 2009



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister of Natural Resources

I have audited the statement of financial position of the Northern Pipeline Agency as at March 31, 2009 and the statements of operations, equity of Canada and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Further, in my opinion, the transactions of the Agency that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Financial Administration Act* and regulations, the *Northern Pipeline Act* and regulations, the *National Energy Board Cost Recovery Regulations* and the by-laws of the Agency.

Crystal Pace, CA
Principal
for the Auditor General of Canada

Ottawa, Canada
August 14, 2009

240 King Street West, Ottawa, Ontario K1A 0G6

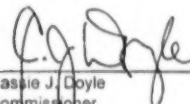
**Northern Pipeline Agency
Statement of Financial Position
As at March 31**

	2009	2008
ASSETS		
Financial assets		
Due from Consolidated Revenue Fund	\$801,402	\$911,763
Accounts receivable and advances (Note 7)	<u>20,557</u>	<u>26,785</u>
	821,959	938,548
Non-financial assets		
Tangible capital assets (Note 6)	<u>4,106</u>	<u>6,894</u>
TOTAL ASSETS	<u>\$826,065</u>	<u>\$945,442</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	\$33,127	\$4,444
Deferred revenue (Note 4)	<u>792,938</u>	<u>940,998</u>
TOTAL LIABILITIES	826,065	945,442
Equity of Canada	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND EQUITY OF CANADA	<u>\$826,065</u>	<u>\$945,442</u>

Contractual obligations (Note 8)

The accompanying notes form an integral part of the financial statements.

Approved by:


Casale J. Doyle
Commissioner


Christopher Cuddy
Assistant Commissioner

**Northern Pipeline Agency
Statement of Operations
For the Year Ended March 31**

	2009	2008
REVENUE		
Regulatory revenue	<u>\$148,060</u>	<u>\$137,451</u>
OPERATING EXPENSES		
Professional and special services	\$89,095	\$88,965
Rentals	41,180	27,337
Salaries and employee benefits	9,629	7,708
Amortization	2,788	5,069
Transportation and communication	2,751	7,607
Information	2,603	716
Other	<u>14</u>	<u>49</u>
TOTAL RECOVERABLE EXPENSES	148,060	137,451
NON-RECOVERABLE SERVICES PROVIDED WITHOUT CHARGE (Note 7)	<u>56,385</u>	<u>48,888</u>
NET COST OF OPERATIONS	<u>\$56,385</u>	<u>\$48,888</u>

**Statement of Equity of Canada
For the Year Ended March 31**

	2009	2008
Equity of Canada, beginning of the year	\$ -	\$ -
Net cost of operations	(56,385)	(48,888)
Change in due from Consolidated Revenue Fund	(110,361)	(79,778)
Non-recoverable services received without charge	56,385	48,888
Net cash provided by Government	<u>110,361</u>	<u>79,778</u>
Equity of Canada, end of the year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes form an integral part of the financial statements.

**Northern Pipeline Agency
Statement of Cash Flow
For the Year Ended March 31**

	2009	2008
Operating Activities		
Net cost of operations	\$56,385	\$48,888
<i>Adjustment for non-cash items</i>		
Services received without charge (Note 7)	(56,385)	(48,888)
Amortization of tangible capital assets	<u>(2,788)</u>	<u>(5,069)</u>
	(2,788)	(5,069)
<i>Variations in the Statement of Financial Position</i>		
(Decrease) in accounts receivable and advances	(6,228)	(55,609)
(Increase) decrease in accounts payable and accrued liabilities	(28,683)	3,005
Decrease in deferred revenue	<u>148,060</u>	<u>137,451</u>
Cash used by operating activities	<u>110,361</u>	<u>79,778</u>
Financing Activities		
Net cash provided by Government of Canada	<u>\$ (110,361)</u>	<u>\$ (79,778)</u>

The accompanying notes form an integral part of the financial statements.

Northern Pipeline Agency

Notes to the Financial Statements Year ended 31 March 2009

1. Authority, Objectives and Operations

In 1978, Parliament enacted the *Northern Pipeline Act* to:

- give effect to an Agreement on Principles Applicable to a Northern Natural Gas Pipeline (*the Agreement*) between the Governments of Canada and the United States of America;
- establish the Northern Pipeline Agency (the Agency) to oversee the planning and construction of the Canadian portion of the project.

The Agency is designated as a department and named under Schedule I.1 of the *Financial Administration Act*, reporting to Parliament through the Minister of Natural Resources.

The objectives of the Agency are to:

- 1) carry out and give effect to the Agreement of September 20, 1977 between Canada and the United States underpinning the project;
- 2) carry out, through the Agency, federal responsibilities in relation to the pipeline;
- 3) facilitate the efficient and expeditious planning and construction of the pipeline, taking into account local and regional interests;
- 4) facilitate consultation and coordination with the governments of the provinces and the territories traversed by the pipeline;
- 5) maximize the social and economic benefits of the pipeline while minimizing any adverse social and environmental effects; and
- 6) advance national economic and energy interests and to maximize related industrial benefits by ensuring the highest possible degree of Canadian participation.

In 1982, the sponsors of the Pipeline announced that the target date for completion had been set back until further notice and all parties scaled down their activities. Work continues to prepare the Agency to meet commitments set out in the *Northern Pipeline Act* should Foothills Pipe Lines Ltd. decide to proceed with the second stage of the Alaskan Natural Gas Transportation System.

Northern Pipeline Agency

Notes to the Financial Statements Year ended 31 March 2009

In accordance with Section 29 of the *Northern Pipeline Act* and with the *National Energy Board Cost Recovery Regulations*, the Agency is required to recover all of its annual operating costs from the companies holding certificates of public convenience and necessity issued by the Agency. Currently, Foothills is the sole holder of such certificates. The Government of Canada provides funds for working capital through an annual Parliamentary appropriation.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Treasury Board accounting policies and year-end instructions issued by the Office of the Comptroller General, which are consistent with Canadian generally accepted accounting principles for the public sector.

a) Parliamentary appropriations:

The Agency is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to the Agency do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

b) Net cash provided by Government:

The Agency operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Agency is deposited to the CRF and all cash disbursements made by the Agency are paid from the CRF. The net cash provided by the Government is the difference between all cash receipts and all cash disbursements including transactions between the Agency and departments of the federal government.

c) Due from the Consolidated Revenue Fund:

Due from the Consolidated Revenue Fund (CRF) represents the amount of cash that the Agency is entitled to draw from the Consolidated Revenue Fund without further appropriations, in order to discharge its liabilities.

Northern Pipeline Agency

**Notes to the Financial Statements
Year ended 31 March 2009**

d) Revenue/Deferred revenue:

Revenues from regulatory fees recovered from Foothills are recognized in the accounts based on the services provided in the year.

Revenues that have been received but not yet earned are recorded as deferred revenues. Deferred revenues represent the accumulation of excess billings over the actual expenses for the last two fiscal years.

e) Expenses:

Expenses are recorded on the accrual basis.

Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

Services received without charge from other government departments are recorded as operating expenses at their estimated cost.

f) Accounts receivable:

Receivables are stated at amounts expected to be ultimately realized. A provision is made for receivables where recovery is considered uncertain.

g) Employee future benefits:

Future benefits for employees, including pension benefits, providing services to the Agency are funded by the employee's home-base department. Estimated costs are included in the employee benefits charged to the Agency.

h) Tangible capital assets:

All tangible capital assets and leasehold improvements having an initial cost of \$1,000 or more are recorded at their acquisition cost. Tangible capital assets owned by the Agency are valued at cost, net of accumulated amortization. Amortization is calculated using the straight-line method, over the estimated useful life of the assets as follows:

Office furniture and equipment	10 years
Informatics hardware	4 years

Northern Pipeline Agency

Notes to the Financial Statements
Year ended 31 March 2009

i) Measurement uncertainty:

The preparation of these financial statements in accordance with Treasury Board accounting policies and year-end instructions issued by the Office of the Comptroller General, which are consistent with Canadian generally accepted accounting principles for the public sector, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Deferred revenue, salaries and employee benefits are the most significant items where estimates are used. Actual amounts could differ significantly from those estimated. These estimates are reviewed annually and as adjustments become necessary, they are recognized in the financial statements in the year in which they become known.

3. Parliamentary Appropriations

The Government of Canada funds the expenses of the Agency through Parliamentary appropriations. Items recognized in the statement of operations and the statement of financial position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, the Agency has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled as follows:

a) Reconciliation of net cost of operations to current year parliamentary appropriations used:

	2009	2008
Net cost of operations	\$56,385	\$48,888
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Services received without charge	(56,385)	(48,888)
Amortization of tangible capital assets	(2,788)	(5,069)
Revenue not available for spending	148,060	137,451
Other	(5,554)	4,085
	<u>139,718</u>	<u>136,467</u>
Current year appropriations used	\$139,718	\$136,467

Northern Pipeline Agency

Notes to the Financial Statements
Year ended 31 March 2009

b) Appropriations provided and used:

	2009	2008
Vote 35 - Program expenditures	\$256,200	\$287,500
Statutory amounts	1,011	1,857
Lapsed appropriations	(117,493)	(152,890)
Current year appropriations used	\$139,718	\$136,467

c) Reconciliation of net cash provided by Government to Parliamentary appropriations used:

	2009	2008
Net cash provided by Government	\$110,361	\$79,778
Revenue not available for spending	148,060	137,451
Change in net position in the Consolidated Revenue Fund:		
Variation in accounts receivable & advances	6,228	55,609
Variation in accounts payable & accrued liabilities	28,683	(3,005)
Variation in deferred revenue / other liabilities	(148,060)	(137,451)
Other	(5,554)	4,085
Current year appropriations used	\$139,718	\$136,467

4. Deferred Revenue

Deferred revenue consists of:

	2009	2008
Opening Balance	\$940,998	\$1,078,449
Recoverable expenses of current fiscal year	(148,060)	(137,451)
Deferred Revenue	\$792,938	\$940,998

Northern Pipeline Agency

Notes to the Financial Statements Year ended 31 March 2009

5. Easement Fee

In 1983, the Government of Canada, pursuant to Subsection 37(3) of the *Northern Pipeline Act*, granted Foothills Pipe Lines Ltd. a twenty-five year easement upon and under lands in the Yukon Territory. For the right of easement, Foothills Pipe Lines Ltd. is to pay the Agency an annual amount of \$30,400; of this annual amount, \$2,806 (2008 - \$2,806) is collected on behalf of and forwarded directly to the Government of the Yukon Territory. The balance of \$27,594 (2008 - \$27,594) was remitted to the Government of Canada by the Agency. This fee is not accounted for in these financial statements.

6. Tangible Capital Assets

There were no acquisitions or disposals of tangible capital assets in 2009.

	Cost	Accumulated Amortization	Net book value 2009	Net book value 2008
Office furniture and equipment	\$7,527	\$3,421	\$4,106	\$4,859
Informatics hardware	17,266	17,266	-	2,035
Total	<u>\$24,793</u>	<u>\$20,687</u>	<u>\$4,106</u>	<u>\$6,894</u>

Amortization expense for the year ended March 31, 2009 is \$2,788 (2008 - \$5,069)

7. Related Party Transactions

The Agency is related as a result of common ownership to all Government of Canada departments, agencies and Crown corporations. The Agency enters into transactions with these entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises except that certain services, as defined previously, are provided without charge.

Northern Pipeline Agency

Notes to the Financial Statements
Year ended 31 March 2009

a) Services provided without charge:

These services without charge have been recognized in the Agency's Statement of Operations as follows:

	2009	2008
Audit services provided by the Office of the Auditor General of Canada	\$55,284	\$43,509
Management services provided by Natural Resources Canada	\$1,101	\$5,379
Total	\$56,385	\$48,888

b) Receivables and payables outstanding at year-end with related parties:

	2009	2008
Accounts receivable with other government departments and agencies	\$19,989	\$26,385
Accounts payable to other government departments and agencies	\$30,089	-

8. Contractual Obligations

The nature of the Agency's activities can result in some large multi-year contracts and obligations whereby the Agency will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

	2010	2011	2012 and thereafter	Total
Operating leases	\$18,406	\$18,406	\$1,214	\$38,026

9. Comparative Figures

Comparative figures have been reclassified to conform to the current year's presentation.

